LEKWA TEEMANE

LOCAL MUNICIPALITY

“NW396”

APPROVED MEDIUM TERM BUDGET 2010/2011 TO 2012/2013

DATE APPROVAL: 31 MAY 2010

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1: INTRODUCTION

The purpose of this document is to submit the 2010/2011 to 2012/2013 Medium Term Budget and related policies for approval and adoption.

The budget has been compiled within the framework of the Municipal Finance Management Act , Circular No 51 of the National Treasury and New Municipal Budget Regulations.

Circular no 51 provides instructions, guidance and information on crucial issues that municipalities need to consider when preparing their budgets. The issues include the local response to the global economic crisis, headline inflation forecasts, revision of rates, tariffs and other charges transfers to municipalities, budget process and submissions, and the Municipal Budget and Reporting Regulations.

On 23 January 2009 the Minister of Finance gazetted new Municipal Budgeting and Reporting Regulations. The Lekwa Teemane Local Municipality is required to fully comply with the regulations as from 01 July 2010, that is full compliance when the final budget is tabled in May 2010. For the budget , it is expected that the Municipality complies as far as possible.

2: BUDGET RESOLUTIONS

ITEM: DRAFT (BTO: 2010)

DEPARTMENT OF FINANCE: FINAL BUDGET FOR THE 2010/11 AND TWO OUTER YEARS 10/11 FINANCIAL YEAR (1 – 2010/11) (KTM) (COUNCIL: 31 MAY 2010)

The Chief Financial Officer reports as follows:

"The purpose of this report is to submit the final annual budget for the 2010/11 financial year for consideration and discussion by Council as prescribed in the Municipal Finance Management Act (MFMA).

BACKGROUND

In terms of section 21(2) of the Municipal Finance Management Act, the Mayor must consider the following issues when preparing the annual budget:

- Take into account the municipality's integrated development plan;
- Take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;
- Take into account the national budget, the relevant provincial budget, the national government's fiscal and economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum.
- Consult:-
    - (i) All other local municipalities in the area, if the municipality is a district municipality.
    - (ii) The relevant provincial treasury, and when requested, the National Treasury; and
    - (ii) Any national or provincial organ of state, as may be prescribed.

BUDGET PREPARATION PROCESS

The budget preparation process consists of the following six distinct steps:

1. Planning Schedule key dates, establish consultation forums, review previous processes

2. Strategizing Review IDP, set service delivery goals and objectives for next three years, consults on tariffs, indigent, credit control, free basic service, etc policies and consider local, provincial and national issues, previous year's performance and current economic trends, etc

3. Preparing Prepare budget, revenue and expenditure projections, draft budget policies, consult and consider local, provincial and national priorities

4. Tabling Table draft budget, IDP and budget related policies before Council consult and consider formal local, provincial and national inputs or responses

5. Approving Council approves budget and related policies

6. Finalizing Publish and approve Service Delivery and Budget Implementation Plan (SDBIP) and annual performance agreements and indicators.

The above steps must be incorporated into one process. Due to the upcoming soccer world cup and time constraints of submitting a draft budget, not all of these processes could be finalized before submission of the draft budget to Council.

In terms of section 16 of the MFMA, the council of a municipality must for each year approve an annual budget for the municipality and as a consequence to this

legislative requirement, the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

After the draft annual budget has been tabled, the community must be invited to make written submission to the Council on the budget and to make representation at the council hearings. Key stakeholders like national and provincial departments (e.g. Treasuries, local governments, water, environment, health) should also be invited to submit written comments to the hearing. The Council may wish to host special sessions with the community organizations, business organizations, and public sector institutions prior to convening the hearings on the budget process starts.

Council is required to have hearings on the budget before it considers the budget for adoption. Council must consider all submissions received during its hearing process. The Mayor must be given an opportunity to respond to the recommendations, make revisions and amend the tabled budget. After the Mayor has responded to the recommendations and made amendments to the draft budget, the full council must meet to consider the budget for approval not later than 31 May 2010.

In order to ensure smooth transformation and compliance with regard to the prescribed budget consultation process, it will be imperative to workshop the draft budget with the councilors and communities, business, farmers and other stakeholders in early April/May 2010 before the consultation process and final approval of the budget.

BUDGET CONTENT AND FORMAT

National Treasury through Local Government: Municipal Finance Management Act 2003, Municipal Budget and Reporting Regulations provided guidelines on the content and format standards of the budget as well as supporting documentation to which all municipalities are required to adhere to in respect of the 2010/11 budget year.

The reason why National Treasury provided guidelines on the budget and supporting documentation is to ensure:

- Compliance with legal requirements for an approved budget;
- Strengthened oversight by council and improved performance by officials;
- Readability of and linkages within the budget documentation;
- Satisfaction of stakeholders information needs (councilors, community etc.); and
- Facilitation of comparability between municipalities.

An effort has been made to submit the final budget in the prescribed new content and format, but due to time constraints and capacity constraints we will not able to adhere to all the prescribed requirements as per circular 51 and budget regulations.

The Municipal Manager, in consultation with the Chief Financial Officer, recommends as follows:

BUDGET RELATED RESOLUTIONS

RECOMMENDATIONS

1. That the Annual Budget of the Lekwa Teemane Local Municipality for the financial year 2010/2011 and its multi budget years 2011/2012 & 2012/2013 be approved in following budget related tables.

- Table A1 : Budget Summary
- Table A2 : Budgeted financial performance (revenue and expenditure by standard classification)
- Table A3 : Budgeted financial performance (revenue and expenditure by municipal vote)
- Table A4 : Budgeted financial performance (revenue and expenditure)
- Table A5 : Budgeted capital expenditure by vote; standard classification and funding
- Table A6 : Budgeted financial position
- Table A7 : Budgeted cash flow
- Table A8 : Cash backed reserves/accumulated surplus reconciliation
- Table A9 : Asset management
- Table A10: Basic service delivery measurements

2. Council approves that main operating income tariff increase as follows
   a. Rates by 10%
   b. Refuse by 9.5%
   c. Sanitation by 11%
   d. Water by 11%
   e. Electricity by 27%.:
   f. Other general income by 25%.
   g. That the Council approves the Reviewed IDP for 2010/2011
   h. Council approved budget related policy.
   i. Council approved withdrawal of non indigents from 6kl for free. First 6KL will be purchased at 50% of approved water tariff consumption.
   j. NOTE"THAT THE ELECTRICITY TARIFF INCREASE BE REDUCED TO 19 0R 22% IF NERSA HEARING ON TARIFF INCREASE ABOVE 27% IS UNSUCESSFUL.

3: EXECUTIVE SUMMARY

Background

This is the last budget for the Council that was democratically elected on 01 March 2006. It is continuation of the process of continuous improvement in budgeting and moves toward a longer-term financial planning outlook and medium term income and expenditure framework through the consideration of a three multi -year budgets. Next year April 2011 will have local government elections.

Introduction

The budget for the 2010/11 financial year has been drawn up in terms of chapter 4 of the Municipal Finance Management Act of 2003 (MFMA) and the Municipal Systems Act of 2000 (MSA) on matters specifically related to the budget as well as direction from National Treasury on policy guidelines (MFMA Circular's no10, 28 and 51 and newly gazette Municipal Budget Regulations

One of the key challenges of the Lekwa Teemane Local Municipality for the 2010/11 budget was to improve on the quality of the budget in terms of the new guidelines on the content and to ensure credibility thereof. Other goals that still remain are the continuous improvement on the alignment of the Reviewed Integrated Development Plan (IDP), the Budget and Performance Management System of the Council. The link between the IDP, Budget and Performance Management System has been achieved by focusing on the strategic objectives, core business and functions of the Lekwa - Teemane Local Municipality.

The proposed budget covers all revenue and expenditure matters as presented by management after thorough evaluation of the operational resources and costing in order to effectively achieve objectives set in conjunction with Council. Matters that still need further refinement are the full implementation of the new budget content / format, development of "SMART" key performance indicators to determine clear outputs / outcomes to be achieved and running of awareness campaigns prior to the budget consultation process in order to encourage the community / stakeholders to actively participate. Any amendments regarding the abovementioned issues have been incorporated in the final budget and IDP before the final at 31 May 2010 by Council.

The municipality's 2010/2011 MTREF was guided by the following elements

- Producing balanced and credible budget.
- The management and administration costs.
- Creating cash backed surplus to support own funded capital investment.
- Delivering quality services on the ground.
- Increase allocation on repairs and maintenance to maintain all assets at level adequate to protect the capital investment.
- Further manage down general expenditure and contracted services
- Acquisition of new plant and equipment.
- Ensuring improved financial system.

For the municipality to able to deliver on the programmes, tough decisions will have to be taken on the following areas:

- Management of revenue streams.
- Limit the conferences and seminars that are attended.
- Reducing costs on the noncore departmental activities.
- Increase spending on the repairs and maintenance.
- Qualitative management especially on the transport costs.
- Expediting spending on the capital projects that are funded by the conditional grants.

- Strict budgetary controls.
- Fully operational of debt collection
- Monitoring of payment of overtime.
- No unfunded mandates.
- Cost cutting on telephones, stationary, catering and office equipment.

The municipality will continue to subsidies those who cannot afford to pay ., by affording them a chance to register as indigent customers. The indigent campaign awareness will still continue. The indigent receive 9kl of water for free and 50kw electricity token for free , even your equitable share allocation is very little. At 30 June 2009 registered indigent were 4843 on 31 March 2010 stand at 7651. 45% of our ratepayers are indigents who have no income base. 25% are indigent who earned less than R 1,100.00 per month.

The municipality financial position will be able to strengthen through aggressive application of credit control and debt collection by law. This will enable the municipality to build on the cash backed reserves and also improve the current ratio to acceptable norm of 1:1.

What is the role of a budget?

A budget reflects the service priorities. It is the framework for spending money and for assessing financial performance.

A budget does the following:

- ❖ Shows how much it costs.
- ❖ Reflects policy choices.
- ❖ Sets in motion implementation.
- ❖ Reflects what monies will be collected (revenue) and what monies will be spent (expenditure).

Provides the framework by which the LTLM accounts for performance

Consultative process

Following tabling of the 2010/2011 budget at the end of 31 March 2010, it will be advertised for public comments. A community consultation process will be undertaken primarily through the public meetings in the municipal area. The schedule of dates will be shown under the budget process related matters.

Alignment with government priorities

In order to ensure an integrated and focused service delivery between all sphere of government it is important for the municipality to align its budget priorities with that of National and Provincial government.

Both National and Provincial place a high priority on education, health , rural development ,human settlement , land reform , creating decent job and fighting crime.

2010/2011 Challenges

One of the key challenges for the future that the municipality is facing , converting the long outstanding debts into cash. The non-payment of services threatens the municipality ‘s ability on services to its residents and the cash flow position. However positive progress has been made since the adoption of the debt collection strategy.

Another challenge is the ageing infrastructure networks and roads. The municipality is depended on grants funding model from Provincial and National governments. Poor planning of operational maintenance plan.

4: SUPPORTING DOCUMENTATTION ON THE BUDGETED PROPOSALS

4.1: 2010/2011 Overview of annual budget

Legislative requirements

The budget for the 2010/11 financial year has been drawn up in terms of chapter 4 of the Municipal Finance Management Act of 2003 (MFMA) and the Municipal Systems Act of 2000 (MSA) on matters specifically related to the budget as well as direction from National Treasury on policy guidelines (MFMA Circular's no10, 28 and 51) .

The MFMA clearly defines the responsibility if the Mayor in ensuring that the budget complies with applicable legislation and consider the needs of the community including the:

- Providing political guidance over the budget process and the priorities that guide its preparation
- Ensuring the budget is tabled and approved on time.
- Ensuring that the Service Delivery AND budget Implementation Plan and annual performance agreements are developed.
- Ensuring publicity and consultation on the budget is undertaken.

Schedule of Key deadlines relating to the budget process (MFMA Section 21(1)(b) were adopted by Council.

One of the key challenges of the Lekwa Teemane Local Municipality for the 20108/10 budget was to improve on the quality of the budget in terms of the new guidelines on the content and to ensure credibility thereof. Other goals that still remain are the continuous improvement on the alignment of the Reviewed Integrated Development Plan (IDP), the Budget and Performance Management System of the Council. The link between the IDP, Budget and

Performance Management System has been achieved by focusing on the strategic objectives, core business and functions of the Lekwa - Teemane Local Municipality.

The proposed budget covers all revenue and expenditure matters as presented by management after thorough evaluation of the operational resources and costing in order to effectively achieve objectives set in conjunction with Council. Matters that still need further refinement are the full implementation of the new budget content / format, development of "SMART" key performance indicators to determine clear outputs / outcomes to be achieved and running of awareness campaigns prior to the budget consultation process in order to encourage the community / stakeholders to actively participate. Any amendments regarding the abovementioned issues will be incorporated in the adjustment budget proposal to Council in 31 January 2011.

The annual budget in respect of the 2010/2011 financial year has been prepared according to the approved IDP / Budget Process Plan and consists of the following six processes: as per Circular 10

- ***Planning: -*** Schedule key dates, establish consultation forums, review previous processes. Tabled a time schedule outlining key deadlines for reviewing the IDP, preparation, tabling and approval of the budget.

- ***Strategizing:-*** Review IDP; Set service delivery objectives (3 years); Consider local, provincial and national issues; Consider previous and current year performances; Consider economic and demographic trends; Review policies and consult on tariffs

- ***Preparing:*** - Prepare budget, revenue and expenditure projections; Draft and amend policies; Consider local, provincial and national priorities.

- ***Tabling:***- Table draft budget (*90 days prior to new financial year)*, IDP & Budget related policies; Consult and consider formal responses from local, provincial and national

- ***Approving:-*** Council approves budget and related policies 30 days prior to new financial year

- ***Finalizing:*** - Publish approved Service Delivery and Budget Implementation Plan (SDBIP) as well as Annual Performance agreements and key indicators.

OUTCOMES OF CONSULTATIVE PROCESS

After Council's approval of the draft annual budget on 31 March 2010, the following consultation processes and meetings in terms of section 23 of the MFMA were held with identified stakeholders on the contents of the budget as well as on measurable performance indicators for the 2010/2010 budget year:

- IDP / Budget Workshop: Council :Strategic plan 06 May 2010
- IDP /Budget Consultation with to Business Community 20 May 2010
- IDP /Budget Consultation with to Business Community 21 May 2010
- IDP /Budget Consultation with to Local Community 23 May 2010
- IDP /Budget Consultation with to Local Community 23 May2010
- IDP /Budget Consultation with to Local Community 25 May2010

Note: "Except for the inputs and amendments made during the consultation process no other submissions have been received in writing for consideration".

ALIGNMENT OF BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The IDP has been prepared for the medium term to 2011/2012. In the current financial year the IDP has undergone the review as required by the Municipal Systems Act and MFMA. All wards were visited and community needs and inputs were sought and all the stakeholders were consulted.

The IDP takes cognizance of the National , Provincial and District priorities. The key focus and IDP priorities are:

- To provide ,improve and sustain infrastructure.
- To promote socio economic development in rural areas
- To enable and speed up institutional transformation.

- To strengthen democracy and good governance
- To improve and sustain financial management.
-

<u>Statement on amendments to the Integrated Development Plan (IDP)</u>

- Implement and manage budget control.
- Implement revenue enhancement.
- Provide free basic services vs affordability.
- Upgrading and maintenance of roads and network infrastructure.
- Provision for basic services for household and other stakeholders.
- Capacity building/ skills development
- Enforcement of public safety law enforcement.
- Local economic development strategy
- Upgrading and maintenance of community facilities.
- 2014 clean audit campaign.
- Promotion of investment marketing strategy and tourism strategy.

The following recommendation were approved

- That the IDP Review Process from the period of August 2009 to February 2010 be approved.
- That the Ward Councillors to engage Ward Committees to review their IDP priorities.
- That the registered stakeholders's data base be revised to include all stakeholders.
- That the interest stakeholders be invited to register their contract details with the IDP Acting Manager in order to broaden participation.
- Council had a Strategic Planning workshop where a new 2014 vision and mission were adopted during January 2010 .This informed council's budget with the Municipality Turn around Strategy from COGTA in

February 2010. A detailed analysis was performed in terms of the requirement by COGTA.

- The needs of the communities, backlogs as identified by the departments, priorities as identified in the Municipal Turn Around Strategy was the basis of the medium term expenditure framework for 2010/2011 to 2012/2013 .

4.2 Budget Assumptions

Overview of the budget assumptions.

The 2010/2011- 2012/2013 Medium Term Budget has been prepared within a highly volatile and highly uncertain economic environment, making the budgeting process even more challenging.

Drastic changes have occurred within the global and domestic economy in the past two years and these changes had a profound impact on the assumptions drawn to prepare the budget.

The following aspects had to be taken into account in the preparation of the 2010-2011-2012/2013 Medium Term Budget.

National Priorities – Doi on the effective ng More WITH Existing Resources.

in his 2010 State of Nation Address, the President signalled that government intends to:

- Deliver more and better services in a caring and efficient manner.
- Hold political office bearers and public servants accountable.
- Hold political office bearers and public servants accountable.
- Shift resources to new priorities.
- Move from debate to effective implementation and decisive action, and
- Work in partnership with communities, labour and business to achieve our shared objectives.

This objective are directly relevant to municipalities. The challenges for each municipality is to do more within its existing resource envelope.

Efficient and effective public services

Municipalities are encouraged to adopt similar stances on the issues. This is particularly important in the run-up to the local government elections. Mayors and councils need to remain focused on the effective delivery of core municipal services, and steer away from seeking to buy political support through patronage ,ad hoc public relations projects, events or donations or any other action that is not consistent with the Code of Conduct –as set out in the Municipal Systems Act 32of 2000.

General inflation outlook and its impact on the municipal activities

The growth parameters set by National Treasury are set between 3 and 6 percent which are also target range for the inflation rate. However the inflation rate for January 2010 was 6.1% and this figure is expected to increase.

All steps have been taken to be line with these National Treasury guidelines however the following factors affect the municipal operations and the budget accordingly.

- Higher fuel prices
- Higher salaries demand.
- Increase by Eskom
- High unemployment rate.

BUDGET ASSUMPTION

The budget of the municipality is compiled in era characterised by economic recession. When there is a recession people lose jobs and as a result the expenditure for households shrinks which ultimately would then adversely affect the municipal budget. Gross Domestic Price (GDP) is a yard stick that is used to determine the country 's growth. The huge decline in terms of Gross Domestic Product (GDP) is factored chiefly by the, Mining sector, Manufacturing, and Agricultural sector.

The budget of the municipality is informed by the income that we expect to receive from the households, business and government departments in terms of service charges. There has been an increasing level in terms of outstanding debts. The high outstanding debt amount is chiefly attributed to households. The increase in outstanding debt inhibits the ability of the municipality to achieve its set objectives. For the budget year 2010/2011 we shall continue to be robust when it comes to collecting money that is due to the municipality in our endeavor to ensure that there is a decline in outstanding debt.

The total budget of the municipality is anticipated at R 154,270 million which comprised of revenue and expenditure.

Total revenue is distinguished in terms of own revenue and grants derived or allocated in terms of Division of the Revenue Act which is publish annually. Own revenue is anticipated to be R 132,219 million and grants as gazetted shall be a

operating grants R 26,064million and Dora grants and District Grants totaling R 35,310 million and R2,554million own revenue to fund capital. The contribution factor to that growth is the increase in the Division of Revenue Act allocations (Dora). Equitable share has increased with an average of 38,% from current financial year (2008/2009), MIG allocation increased with an average of 40,1% from the current financial year (2010/2011).

Major Tariffs and Minor Tariffs

In order to achieve what we have put for ourselves we need to ensure that the tariffs are set at a level that is going to be affordable to ensure that the services are delivered efficiently and effectively to all the communities across the borders of Lekwa Teemane Local Municipality.

During the current year the valuation was compiled in terms of Municipal Property Rates Act (MPRA) and it is anticipated that new valuation shall be implemented from the 01 July 2011 due to technical issues not yet address by Valuer , the valuation will not be implemented on the 2010/2011.The valuation is based on the market value of properties. The objections were received and they shall be dealt with subject to the prescripts of the MPRA.

- At the net budgeted surplus for 2010/2011 is amounting to R 4,609,000.00.
- General increase of tariff for municipal services are as follows.
    - Water : 11%
    - Refuse removal: 9.5%
    - Rates 10%
    - Sanitations :11%
    - Proposed tariff electricity tariff waiting final NER: 27%
- Total operating income budgeted for 2010/2011: R 75,248,000.00 excluding grants transfer and other income.
- Total operating expenditure budgeted for 2010/2011: R 77, 410,000.00 excluding other expenditure.

ANALYSIS OF GRAND TOTAL BUDGTED EXPENDITURE

- Employee cost : 27.57%
- Remuneration of Councilors: 1.63%
- Bad debts : 4.05%
- Depreciation: 0.75%
- Repairs & maintenance : 3.34%
- Borrowing costs: 2.18%
- Bulk purchases: 20.66%
- Contracted services: 4.78%
- Contribution: 0.60%

BUDGET ANALYSIS: EXPENDITURE

CLASSIFICATION	ADJ-BUDGET: 2009/2010	BUDGET 2010/2011	VARIANCE
Total Remuneration costs	R 41,186,103.00	R 44,652,759.00	8.42%
General Expenses	R 35,708,082.00	R 41,109,491.00	15.13%
Bad Debts	R 2,925,835.00	R 6,200,671	111.9%
Bulk Purchases	R 21,938,548.00	R 31,600,000.00	44%
Contracted	R 7,283,500.00	R 7,313,500.00	0.41%

Services			
Repairs& Maintenance	R 4,493,902.00	R 5,101,791.00	13.5%
Depreciation	R 3,260,829.00	R 1,150,296.00	-64.7%
Finance Charges	R 2,586,786.00	R 3,339,002.00	29%
Contribution	R 917,715.00	R 917,715.00	0%
Internal Transfer	R 22,416,611.00	R 12,784,779.00	-48.5%
TOTAL COSTS	**R 142,717,913.00**	**R 154,170,000.00**	**109.16%**
	BUDGET 2009/2010	**BUDGET 2010/2011**	**VARIENCE**
REVENUE			
Property Rates	R 6,450,000.00	R 7,095,000.00	10%
Refuse Collection	R 6,525,830.00	R 7,113,155.00	8.98%
Sanitation fees	R 6,026,610.00	R 8,689,537.00	44.18%
Electricity sales	R 27,000,000.00	R 33,997,103.00	25.91%
Water sales	R 15,805,000.00	R 17,543,550.00	11%
Rental income	R 299,640.00	R 599,724.00	100%
Interest on debtors	R 17,000,000.00	R 16,107,410.00	-5.25%
Other income	R 12,041,400.00	R 13,611,200.00	13.03%

GRANTS	R 30.711,000.00	R 42,479,798.00	-13.35
Internal transfer	R 22,421,611.00	R 11,542,523.00	-48.52%
TOTAL	**R 144,276,091.00**	**R 158,779,000.00**	
SURPLUS	**R 1,558,180.00**	**R 4,609,000.00**	

Our Service Delivery and Budget Implementation Plan (SDBIP) Each department in this municipality will regularly be reminded how they have determined goals. Objective and key performance indicators, in consultation with Council, Council's role (in terms of the MFMA) is to ensure oversight and monitoring. It is also important to understand the key role and responsibility that the Mayor has to play, in terms of Section 52-56 of the Municipal Finance Management Act. We have done the best we could and despite the difficulties of capacity, comprehension and time deadlines, we have a budget that is pro-poor and which we are able to defend. There are a number of areas which still need work in the future. We are still challenged to ensure that we have a lea but productive and efficient administration , and to free as much of our resources for direct investment into and benefit to the community.

We need to understand that our IDP, our budget and our Service Delivery and Budget Implementation Plan are legally binding decisions of council and cannot be deviated from without permission from National Treasury. Let us ensure that our budget serves the interest and development of our people. All of us here will be held accountable and all of us have to work collectively in order to ensure that we focus on good governance and service delivery.

In conclusion “We are not at liberty to toy with the emotions of our people nor to make a mockery of our own planning. Apart from the fact that we would have made false promises, we will be judged severely by the Auditor-General and other over-sight structure if we do not ensure the execution of our budget service delivery plan which is the next step we have to follow. I ask all of you to help me to monitor the implementation and expenditure as the year progresses, to keep track of our projects and pursue these goals with urgency.

I want to sincerely thank all Councilors, the Municipal Manager, the management team, unit heads, officials, stakeholders, government departments and members of the public who have given input and may still be inputting to this process. I thank you for your attention and I invite you across the political spectrum to come on board and approved the 2010/2011 budget of Lekwa-Teemane Local Municipality as per recommendation as set out in the item before you. Finally I will now wish to move for the adoption of Budget for the financial year of 2010/2011 in terms of section 24(1) of the Municipal Finance Management Act.

4.3 Funding the Budget

Overview of Budget Funding

The long-term financial plan is part of the on going financial planning and medium-term budget processes. The long-term financial plan aims to ensure that the Municipality is in a sound financial condition and can finance services on a sustainable basis on the long-term.

The medium- term budget represents a detailed three-year operating and capital budget that enables the Municipality to meet its operational and strategic objectives for three years and in the outer years.

Financial sustainability means that future generations will not burdened with paying for services that today's taxpayers enjoy. While some expenses do not have to be paid immediately , the Municipality still have the ability to pay them in the future.

4.3.1 Key funding of operating budget: The operating budget is mainly funded by main tariffs, ie. Property rate, Water, Electricity, Sanitation as well as Refuse removal. Billed revenue from this source is expected to amount to R 74,438,345.00. Grant funding for operational costs R 26,063,900.00. Grant funding is equal to 35% of total funding.

4.3.2 Funding source for the Capital Budget: Confirmed to date capital Budget is funded largely from government grants, mainly from MIG, which amount to R 10,958,000 in 2010/11, R 13,179,000.00 in 2011/12 and R 16.025,000 in 2012/13 and INEP R 6,706,000 in 2010/11 , R 11,056,000 in 2011/12 and R 4,555,000 in 2012/13. The own funded

projects is proposed to be funded from own funding to the value of R 2,554,000

4.3.3 Property rate tax.

The new valuation roll as per MPRA is not yet implemented due to the delay of the valuer to complete the roll on time. The extension have been requested from GoCta. 10% will an implementable increase on the old valuation roll using land value for ratable?

5. Overview of budget –related policies .

Listed below with a brief description are the municipality budget-related policies. These policies are available from the municipality on request .

Budget related policies are attached;

1. **Creditors , Councillors and Staff Payment**
2. **Budget**
3. **Rates and tariffs**
4. **Indigent support**
5. **Banking and Investment**
6. **Credit control and Debt Collection(By-law)**
7. **Supply chain management**
8. **Fixed Assets Management**
9. **Investment**
10. **Good will Fund Framework**
11. **Property rate by-law**